

**TOWN OF EAST TROY**  
East Troy, Wisconsin

**FINANCIAL STATEMENTS**

December 31, 2009

# TOWN OF EAST TROY

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## INDEPENDENT AUDITORS' REPORT

To the Town Board  
Town of East Troy  
East Troy, Wisconsin

We have audited the general purpose financial statements of the Town of East Troy, Wisconsin as of and for the year ended December 31, 2009, as listed in the table of contents. These general purpose financial statements are the responsibility of the town's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to obtain all required representations from the Town Chairman.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and major funds. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements and major funds. The amounts that would be reported in government-wide financial statements for the town's governmental activities and major funds are not reasonably determinable.

Also, the general purpose financial statements referred to above do not include the financial data for the Town of East Troy Sanitary District No. 3 a business-type activity, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Town of East Troy.

In our opinion, because of the omission of the government-wide financial statements and the omission of the Town of East Troy Sanitary District No. 3, as discussed above, and the disclosure of major funds, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of East Troy, Wisconsin, as of December 31, 2009, or the changes in its financial position or, where applicable, its cash flows for the year then ended.

To the Town Board  
Town of East Troy

The Town of East Troy, Wisconsin has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to supplement, although not be a part of, the basic financial statements.

*Baker Tilly Virchow Krause, LLP*

Milwaukee, Wisconsin  
March 15, 2010

## GENERAL PURPOSE FINANCIAL STATEMENTS

# TOWN OF EAST TROY

## COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

December 31, 2009

(With Comparative Totals for December 31, 2008)

	<u>Governmental Fund Types</u>		<u>Fiduciary</u>	<u>Account</u>
	<u>General</u>	<u>Special</u>	<u>Fund Type</u>	<u>Group</u>
		<u>Revenue</u>	<u>Agency</u>	<u>General</u>
				<u>Long-Term</u>
				<u>Obligations</u>
<b>ASSETS AND OTHER DEBITS</b>				
Cash and investments	\$ 641,497	\$ 1,829,588	\$ 5,312,506	\$ -
Receivables				
Taxes	1,535,279	-	6,082,210	-
Accounts	7,100	-	-	-
Due from other funds	137	-	-	-
Interest	1,274	12,329	-	-
Prepaid items	10,898	-	-	-
Advances to other funds	-	138,582	-	-
Restricted assets				
Cash and investments	17,183	-	-	-
Other Debits				
Amount to be provided for retirement of long-term obligations	-	-	-	1,075,553
Amount available in designated funds	-	-	-	49,095
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 2,213,368</b>	<b>\$ 1,980,499</b>	<b>\$ 11,394,716</b>	<b>\$ 1,124,648</b>
<b>LIABILITIES AND EQUITY</b>				
Liabilities				
Accounts payable	\$ 43,527	\$ -	\$ -	\$ -
Deposits	28,750	-	-	-
Due to other funds	-	137	-	-
Due to other taxing units	3,680	-	11,394,716	-
Deferred revenues	1,535,279	12,329	-	-
Advances from other funds	138,582	-	-	-
General obligation debt	-	-	-	850,000
Other long-term liabilities	-	-	-	274,648
Total Liabilities	<u>1,749,818</u>	<u>12,466</u>	<u>11,394,716</u>	<u>1,124,648</u>
Equity				
Fund Balances				
Reserved	28,081	1,968,033	-	-
Unreserved				
Designated	435,469	-	-	-
Total Fund Balances	<u>463,550</u>	<u>1,968,033</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 2,213,368</b>	<b>\$ 1,980,499</b>	<b>\$ 11,394,716</b>	<b>\$ 1,124,648</b>

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Totals (Memorandum Only)	
2009	2008
\$ 7,783,591	\$ 7,994,489
7,617,489	7,270,223
7,100	6,208
137	1,413
13,603	24,100
10,898	10,229
138,582	138,582
17,183	17,142
1,075,553	503,959
49,095	48,670
<u>\$ 16,713,231</u>	<u>\$ 16,015,015</u>

\$ 43,527	\$ 65,834
28,750	32,000
137	1,413
11,398,396	11,218,684
1,547,608	1,476,917
138,582	138,582
850,000	388,334
274,648	164,295
<u>14,281,648</u>	<u>13,486,059</u>

1,996,114	2,008,120
435,469	520,836
<u>2,431,583</u>	<u>2,528,956</u>
<u>\$ 16,713,231</u>	<u>\$ 16,015,015</u>

# TOWN OF EAST TROY

## COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

For the Year Ended December 31, 2009

(With Comparative Totals For the Year Ended December 31, 2008)

	Governmental Fund Types		Totals (Memorandum Only)	
	General	Special Revenue	2009	2008
<b>REVENUES</b>				
Taxes	\$ 1,207,465	\$ -	\$ 1,207,465	\$ 1,140,756
Intergovernmental	302,570	-	302,570	297,013
Licenses and permits	60,407	-	60,407	79,863
Fines, forfeitures and penalties	85,606	-	85,606	97,413
Public charges for services	313,277	-	313,277	343,100
Intergovernmental charges for services	14,847	-	14,847	14,377
Investment income	15,665	43,875	59,540	124,585
Miscellaneous revenues	-	-	-	6,137
Total Revenues	<u>1,999,837</u>	<u>43,875</u>	<u>2,043,712</u>	<u>2,103,244</u>
<b>EXPENDITURES</b>				
Current				
General government	319,549	-	319,549	311,067
Public safety	869,035	-	869,035	806,351
Public works	1,422,651	13,008	1,435,659	1,030,310
Leisure activities	44,130	-	44,130	107,363
Conservation and development	2,787	-	2,787	2,889
Debt Service				
Principal retirement	88,333	-	88,333	168,333
Interest and fiscal charges	14,314	-	14,314	14,010
Total Expenditures	<u>2,760,799</u>	<u>13,008</u>	<u>2,773,807</u>	<u>2,440,323</u>
Excess (deficiency) of revenues over expenditures	<u>(760,962)</u>	<u>30,867</u>	<u>(730,095)</u>	<u>(337,079)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	43,583	-	43,583	74,239
Operating transfers out	-	(43,583)	(43,583)	(74,239)
Long-term debt issued	550,000	-	550,000	150,000
Capital lease	76,222	-	76,222	-
Proceeds from sale of property	6,500	-	6,500	15,400
Total Other Financing Sources (Uses)	<u>676,305</u>	<u>(43,583)</u>	<u>632,722</u>	<u>165,400</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<u>(84,657)</u>	<u>(12,716)</u>	<u>(97,373)</u>	<u>(171,679)</u>
<b>FUND BALANCES - Beginning of Year</b>	<u>548,207</u>	<u>1,980,749</u>	<u>2,528,956</u>	<u>2,700,635</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 463,550</u>	<u>\$ 1,968,033</u>	<u>\$ 2,431,583</u>	<u>\$ 2,528,956</u>

See accompanying notes to financial statements.



# TOWN OF EAST TROY

## COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ACTUAL AND BUDGET - GENERAL FUND AND SPECIAL REVENUE FUND For the Year Ended December 31, 2009

	General Fund		
	Actual	Budget	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 1,207,465	\$ 1,089,893	\$ 117,572
Intergovernmental	302,570	284,747	17,823
Licenses and permits	60,407	70,425	(10,018)
Fines, forfeitures and penalties	85,606	85,000	606
Public charges for services	313,277	307,264	6,013
Intergovernmental charges for services	14,847	16,700	(1,853)
Investment income	15,665	60,132	(44,467)
Total Revenues	<u>1,999,837</u>	<u>1,914,161</u>	<u>85,676</u>
<b>EXPENDITURES</b>			
Current			
General government	319,549	363,905	44,356
Public safety	869,035	891,286	22,251
Public works	1,422,651	1,354,700	(67,951)
Leisure activities	44,130	47,651	3,521
Conservation and development	2,787	5,330	2,543
Debt Service			
Principal retirement	88,333	-	(88,333)
Interest and fiscal charges	14,314	-	(14,314)
Total Expenditures	<u>2,760,799</u>	<u>2,662,872</u>	<u>(97,927)</u>
Excess (deficiency) of revenues over expenditures	<u>(760,962)</u>	<u>(748,711)</u>	<u>(12,251)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	43,583	62,600	(19,017)
Operating transfers out	-	-	-
Long-term debt issued	550,000	550,000	-
Capital Lease	76,222	-	76,222
Proceeds from sale of property	6,500	-	6,500
Total Other Financing Sources (Uses)	<u>676,305</u>	<u>612,600</u>	<u>63,705</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<b>(84,657)</b>	<b>(136,111)</b>	<b>51,454</b>
FUND BALANCES - Beginning of Year	<u>548,207</u>	<u>548,207</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 463,550</b>	<b>\$ 412,096</b>	<b>\$ 51,454</b>

See accompanying notes to financial statements.

Special Revenue Fund		
Actual	Budget	Variance with Final Budget
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
43,875	62,600	(18,725)
43,875	62,600	(18,725)
-	-	-
-	-	-
13,008	16,910	3,902
-	-	-
-	-	-
-	-	-
13,008	16,910	3,902
30,867	45,690	(14,823)
-	-	-
(43,583)	(62,600)	19,017
-	-	-
-	-	-
-	-	-
(43,583)	(62,600)	19,017
(12,716)	(16,910)	4,194
1,980,749	1,980,749	-
\$ 1,968,033	\$ 1,963,839	\$ 4,194

See accompanying notes to financial statements.

## TOWN OF EAST TROY

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# **TOWN OF EAST TROY**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2009

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies of the Town of East Troy, Wisconsin do not conform to accounting principles generally accepted in the United States of America as applicable to governmental units because government-wide financial statements that display the financial position and changes in financial position of its governmental activities and major funds are not presented as noted below.

The Town of East Troy made the decision not to implement Governmental Accounting Standards Board (GASB) Statement No. 34 and all relevant GASB pronouncements issued thereafter.

#### ***A. REPORTING ENTITY***

This report includes all of the funds and account groups of the Town of East Troy except for East Troy Sanitary District No. 3 and the general fixed assets account group (per Note 1.H). The reporting entity for the town consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and 1) it is able to impose its will on that organization or 2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: 1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; 2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; 3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units.

## **TOWN OF EAST TROY**

### **NOTES TO FINANCIAL STATEMENTS** December 31, 2009

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#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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##### ***B. DESCRIPTION OF FUND AND ACCOUNT GROUP STRUCTURE***

The accounts of the town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The various funds are summarized by type in the financial statements. The following fund types and account group are used by the town.

##### **GOVERNMENTAL FUNDS**

###### ***General Fund***

The General Fund is the general operating fund of the town. It is used to account for all financial resources except those required to be accounted for in another fund.

###### ***Special Revenue Funds***

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The landfill fund is reported as a special revenue fund.

##### **FIDUCIARY FUNDS**

###### ***Agency Funds***

Agency Funds are used to account for assets held by the town as an agent for individuals, private organizations, other governmental units, and/or other funds. The tax collection fund is reported as an agency fund.

##### **ACCOUNT GROUP**

###### ***General Long-Term Obligations Account Group***

This account group is established to account for all long-term obligations of the town.

# TOWN OF EAST TROY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **C. TOTALS (MEMORANDUM ONLY)**

The columns captioned Totals (Memorandum Only) in the general purpose financial statements are an aggregation of the columnar statements by fund type and account group. The totals column is not comparable to a consolidation and does not present financial position and results of operations in conformity with generally accepted accounting principles because the same basis of accounting is not used by all funds and interfund transactions and balances and account group balancing accounts have not been eliminated.

#### **D. COMPARATIVE DATA**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the town's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented in all statements since their inclusion would make the statements unduly complex and difficult to read. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

#### **E. BASIS OF ACCOUNTING**

The modified accrual basis of accounting is followed by the governmental and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided. In addition to property taxes for the municipality, taxes are collected for and remitted to the state and county governments as well as the local and technical college school districts. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as deferred revenues and due to other taxing units on the accompanying balance sheet. Taxes are levied in December on the assessed value as of the prior January 1.

Property tax calendar – 2009 tax roll:

Lien date and levy date	December 2009
Tax bills mailed	December 2009
Payment in full, or	January 31, 2010
First installment due	January 31, 2010
Second installment due	July 31, 2010
Personal property taxes in full	January 31, 2010
Tax sale – 2009 delinquent real estate taxes	October 2012

# **TOWN OF EAST TROY**

## **NOTES TO FINANCIAL STATEMENTS** December 31, 2009

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### ***E. BASIS OF ACCOUNTING (cont.)***

Intergovernmental aids and grants are recognized as revenues in the period the town is entitled to the resources and the amounts are available. Amounts owed to the town which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Special assessments are recorded as revenues when collected. Annual installments due in future years are reflected as receivables and deferred revenues. As of December 31, 2009, the town has no special assessments receivable.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, and interest.

Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The town reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the town has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the town has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### ***F. MEASUREMENT FOCUS***

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments and compensated absences which will not be currently liquidated using expendable available financial resources are shown in the general long-term obligations account group. The related expenditures are recognized when the liabilities are liquidated.

# **TOWN OF EAST TROY**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2009

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### ***G. LONG-TERM OBLIGATIONS/CONDUIT DEBT***

Short-term liabilities are recorded as fund liabilities. All other long-term liabilities are recorded in the general long-term obligations account group. However, that portion expected to be financed from expendable available financial resources is reported as a fund liability in the governmental funds.

Proceeds of long-term debt issues not recorded as fund liabilities are reflected as "Other Financing Sources" in the operating statement of the recipient fund. Retirement of these issues is reported as an expenditure in the year in which the debt matures or is repaid, whichever is earlier.

The town may approve the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the town. There were no IRB's outstanding at December 31, 2009.

#### ***H. GENERAL FIXED ASSETS***

The town has not maintained a record of its general fixed assets and, accordingly, the general fixed assets account group is not included in the financial statements.

#### ***I. ADVANCES TO OTHER FUNDS***

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

The landfill fund has advanced funds to the general fund for park related purposes. Interest is not collected on the advances. The amount of advances outstanding as of December 31, 2009 was \$138,582. No repayment schedule has been established.

#### ***J. ENCUMBRANCES***

Encumbrances outstanding represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders at year end are fulfilled. Encumbrances outstanding at year end are reported as reservations of fund balance and do not represent liabilities or expenditures. Encumbrance accounting applies only to governmental fund types. There were no material encumbrances outstanding at year end.



# **TOWN OF EAST TROY**

## **NOTES TO FINANCIAL STATEMENTS** December 31, 2009

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### ***K. BUDGETS***

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.E.

A budget has been adopted for the general fund and special revenue fund and comparisons of budget to actual are presented in the general purpose financial statements.

The budgeted amounts presented are as presented in the original budget and no amendments were adopted during the year. The town board may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds board action. There were no supplemental appropriations during the year. Appropriations lapse at year end unless specifically carried over. Carryovers to the following year are shown in Note 5. Budgets are adopted at the department level of expenditure.

#### ***L. COMPENSATED ABSENCES***

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. The amount of accumulated sick leave that will not be paid with expendable available resources is \$177,592 and is recorded in the general long-term obligations account group.

Vested vacation pay of \$20,834 is also shown in the general long-term obligations account group.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2009 are determined on the basis of current salary rates and salary related payments.

#### ***M. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS***

General accounts receivable have been adjusted for all known uncollectible accounts. No allowance is necessary at year end. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof.

#### ***N. CLAIMS AND JUDGMENTS***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental fund types. If they are not liquidated with expendable available financial resources, a liability is recorded in the general long-term obligations account group. The related expenditure is recognized when the liability is liquidated. There were no significant claims or judgments at year end.

# **TOWN OF EAST TROY**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2009

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### ***O. RESTRICTED ASSETS - IMPACT FEES***

The town has received impact fees which must be spent in accordance with the local ordinance and state statutes. Any unspent funds must be refunded to the current property owner. The balance at December 31, 2009 is \$17,183. This amount is shown as reserved fund balance in the general fund.

#### ***P. FUND BALANCE TERMINOLOGY***

Fund balances are segregated into three separate classifications. Reservations represent the portion of fund balances which may not be appropriated for expenditure or have been segregated for specific future uses by legal mandate.

Designations of fund balances represent tentative plans by the town for financial resource utilization in a future period as documented in the minutes or budgeting process for a succeeding year. Such plans are subject to change from original authorizations and may never result in expenditures.

Undesignated fund balance represents the amount available for appropriation after reservations and designations. It also is a measurement of current working capital position.

#### ***Q. INTERFUND TRANSACTIONS***

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

## TOWN OF EAST TROY

### NOTES TO FINANCIAL STATEMENTS December 31, 2009

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#### NOTE 2 – CASH AND INVESTMENTS

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Investment of town funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

The town has an investment policy that states that no more than \$650,000 is to be invested at a single banking institution for all certificate of deposit investments, unless the investment is collateralized by other instruments.

The town's deposits and investments at year end were composed of the following:

	Carrying Value	Bank Balance	Associated Risks
Demand Deposits	\$ 6,931,204	\$ 6,953,570	Custodial Credit Risk
LGIP	869,570	866,570	Credit Risk, Interest Rate Risk
Total Cash and Investments	<u>\$ 7,800,774</u>	<u>\$ 7,820,140</u>	
Per balance sheet			
Unrestricted cash and investments	\$ 7,783,591		
Restricted cash and investments	17,183		
Total deposits and investments	<u>\$ 7,800,774</u>		

# TOWN OF EAST TROY

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### **NOTE 2 – CASH AND INVESTMENTS (cont.)**

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Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited amounts for noninterest bearing accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2009, the fair value of the town's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

#### ***A. Custodial Credit Risk***

##### *Deposits*

Custodial credit risk is the risk that in the event of a financial institution failure, the town's deposits may not be returned to the District.

As of December 31, 2009, \$5,702,718 of the Town's total bank balances of \$6,953,570 was exposed to custodial credit risk as uninsured and uncollateralized.

##### *Investments*

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The town does not have any investments exposed to custodial credit risk.

#### ***B. Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

The town has \$866,570 invested in the LGIP, which is not rated.

# TOWN OF EAST TROY

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE 2 – CASH AND INVESTMENTS (cont.)

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#### *C. Interest Rate Risks*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment.

The average maturity date for investments held by LGIP is 88 days.

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### NOTE 3 – LONG-TERM OBLIGATIONS

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#### *GENERAL OBLIGATION DEBT*

All general obligation debt is backed by the full faith and credit of the town. General obligation debt will be retired by future property tax levies accumulated by the general fund. Wisconsin statutes require the use of a separate debt service fund to handle the collection of taxes and repayment of all general obligation bonds and notes issued after April 23, 1984.

Long-term obligations payable include the following:

	Balance 1/1/2009	Increase	Decrease	Balance 12/31/2009
<b>General Obligation Debt</b>				
2006 promissory note with an interest rate of 4.25%. The note is dated July 10, 2006 with final maturity on March 30, 2009.	\$ 58,334	\$ -	\$ 58,334	\$ -
2007 promissory note with an interest rate of 4.20%. The note is dated July 11, 2007 with final maturity on September 15, 2014	180,000	-	30,000	150,000
2008 state trust fund loan with an interest rate of 3.25%. The loan is dated September 26, 2008 with final maturity on March 15, 2013.	150,000	-	-	150,000
2009 promissory note with an interest rate of 4.49%. The note is dated July 13, 2009 with final maturity on March 30, 2016.	-	550,000	-	550,000
<b>Total General Obligation Debt</b>	<u>388,334</u>	<u>550,000</u>	<u>88,334</u>	<u>850,000</u>
<b>Other Long-Term Obligations</b>				
Capital Lease	-	76,222	-	76,222
Vested vacation (Note 1.L)	15,457	5,377	-	20,834
Vested sick leave (Note 1.L)	148,838	28,754	-	177,592
<b>Total Other Long-Term Obligations</b>	<u>164,295</u>	<u>110,353</u>	<u>-</u>	<u>274,648</u>
<b>Total</b>	<u>\$ 589,978</u>	<u>\$ 660,353</u>	<u>\$ 88,334</u>	<u>\$ 1,124,648</u>

## TOWN OF EAST TROY

### NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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#### NOTE 3 – LONG-TERM OBLIGATIONS (cont.)

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##### *GENERAL OBLIGATION DEBT* (cont.)

Debt service requirements to maturity on general obligation debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 142,618	\$ 36,768	\$ 179,386
2011	145,995	28,536	174,531
2012	147,205	22,532	169,737
2013	148,467	16,356	164,823
2014	108,571	10,205	118,776
2015-2016	<u>157,144</u>	<u>7,134</u>	<u>164,278</u>
Totals	<u>\$ 850,000</u>	<u>\$ 121,531</u>	<u>\$ 971,531</u>

Estimated payments of compensated absences are not included in the debt service requirement schedules.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the town may not exceed five percent of the equalized value of taxable property within the town's jurisdiction. The debt limit as of December 31, 2009, was \$38,310,930. Total general obligation debt outstanding at year end was \$850,000.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The town believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

##### *CAPITAL LEASES*

In 2009, the town acquired capital assets through a lease agreement. The gross amount of these assets under capital leases is \$100,500. The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2009, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 17,708	\$ 3,175	\$ 20,883
2011	18,561	2,322	20,883
2012	19,510	1,427	20,937
2013	<u>20,443</u>	<u>486</u>	<u>20,929</u>
Totals	<u>\$ 76,222</u>	<u>\$ 7,410</u>	<u>\$ 83,632</u>

## TOWN OF EAST TROY

### NOTES TO FINANCIAL STATEMENTS December 31, 2009

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#### NOTE 4 – EMPLOYEES' RETIREMENT SYSTEM

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All eligible town employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.9% of their salary (3.0% for Executives and Elected Officials, 5.0% for Protective Occupations with Social Security, and 3.2% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for town employees covered by the system for the year ended December 31, 2009 was \$673,790; the employer's total payroll was \$693,099. The total required contribution for the year ended December 31, 2009 was \$90,589 or 13.44% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2008 and 2007 were \$84,737 and \$83,635, respectively, equal to the required contributions.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: 1) final average earnings, 2) years of creditable service, and 3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

The pension related debt for the town as of December 31, 2009, was \$-0-.

## TOWN OF EAST TROY

### NOTES TO FINANCIAL STATEMENTS December 31, 2009

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#### NOTE 5 – DESIGNATED FUND BALANCE

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Designated fund balance as of December 31, 2009 includes the following items:

General Fund -	
Cash flow	\$ 223,655
Smart Growth	24,067
Parks	14,000
Election equipment	5,000
Equipment replacement	7,433
Police equipment	290
General equipment	5,000
Equipment	5,856
Employee benefits	49,095
Road construction	837
Library	15,000
Boat launch	717
Town hall building improvements	10,687
Emergency service	<u>73,832</u>
 Total	 \$ <u>435,469</u>

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#### NOTE 6 – RESERVED FUND BALANCE

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Reserved fund balance as of December 31, 2008 includes the following items:

General Fund -	
Impact fees	\$ 17,183
Prepaid items	<u>10,898</u>
Total	\$ <u>28,081</u>
 Landfill special revenue fund -	
Reserve fund	\$ 1,332,017
Operating fund	497,434
Reserved for advance to general fund	<u>138,582</u>
Total	\$ <u>1,968,033</u>



## **TOWN OF EAST TROY**

### **NOTES TO FINANCIAL STATEMENTS** December 31, 2009

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#### **NOTE 7 – COMMITMENTS AND CONTINGENCIES**

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From time to time, the town is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the town Attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the town's financial position or results of operations.

The Wisconsin Department of Natural Resources (DNR) has required a passive remediation plan for the old landfill, which is expected to cost the town from \$15,000 to \$18,000 per year to monitor.

Funding for the operating budget of the town comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the town. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the town.

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#### **NOTE 8 – JOINT VENTURES**

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The Town of East Troy, Village of East Troy, Town of Lafayette, and Town of Spring Prairie jointly operate the local emergency services district, which is called the East Troy Emergency Services District and provides fire, rescue and ambulance service. The communities share in the annual operation of the district based on an agreed upon formula.

The governing body is made up of citizens from each community. Local representatives are appointed by the town board. The governing body has authority to adopt its own budget and control the financial affairs of the district. The town made payments totaling \$142,451 to the district for 2009. The Town's portion of the 2010 budget is \$120,297. The town believes that the district will continue to provide services in the future at similar rates.

Financial information of the district is available directly from the district's office.

The transactions of the district are not reflected in these financial statements. The town accounts for its share of the operation in the general fund.

## **TOWN OF EAST TROY**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2009

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#### **NOTE 9 – LANDFILL FUND**

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Revenues and expenditures regarding the Troy Area Landfill have been accounted for in the Town of East Troy Landfill Fund. The ordinance establishing the Landfill Fund states that all sums placed into the Landfill Fund shall be used solely for expenses reasonably related to the town's involvement with the Troy Area Landfill. In 1998, the landfill ordinance was amended to allow the use of funds for environmental projects including but not limited to acquisition and improvement of park, wetland or conservancy properties, or any cost or expense reasonably related thereto. Investment earnings of the fund may be transferred to the general fund annually until such time as the operating fund balance is less than \$500,000. The operating fund balance was \$497,434 at December 31, 2009.

A portion of the East Troy Landfill fund has been set aside in a separate reserve fund. This reserve fund was established to protect the town from landfill related claims and liabilities and shall exist in lieu of landfill liability impairment insurance. The ordinance establishing the landfill fund states that the landfill reserve funds will not be used for purposes other than payment of claims or for environmental protection related to the landfill site for a period of not less than 15 years after final closure of the site. The reserve fund balance was \$1,332,017 at December 31, 2009.

In 1998, the Town of East Troy and Walworth County entered into an agreement establishing the amount of funds to be paid to Walworth County in connection with its participation in the Troy Area Landfill. Interest earnings on this reserve are retained by the Town of East Troy.

On April 21, 1997, the town board approved a resolution authorizing the annual use of up to 5% of the principal of the landfill funds. The use of these funds must be approved at the annual budget meeting.

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#### **NOTE 10 – RISK MANAGEMENT**

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The town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

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#### **NOTE 11 – LIMITATIONS ON THE TOWN'S TAX LEVY**

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As part of Wisconsin's Act 28 (2009), new legislation was passed that limits the town's future tax levies. Generally, the town is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the town's equalized value due to new construction or 3% for the 2009 levy collected in 2010 and 3% for the 2010 levy collected in 2011. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit is set to expire after the 2010 levy.

